

**CITY OF SHENANDOAH**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

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**City of Shenandoah**

**Officials**

<u>Name</u>	<u>Title</u> <b>(Before January 2014)</b>	<u>Term Expires</u>
Richard Hunt	Mayor	January 2014
Kim Swank	Council Member	January 2014
Don Gibson	Council Member	January 2014
Rod Nester	Council Member	January 2014
Robert Burchett	Council Member	January 2016
Aaron Green	Council Member	January 2016
Byron Harris	Administrator	January 2015
Mary Smith	Clerk/Treasurer	January 2015
Robert Norris	Attorney	Indefinite

<u>Name</u>	<u>Title</u> <b>(After January 2014)</b>	<u>Term Expires</u>
Richard Hunt	Mayor	January 2018
Robert Burchett	Council Member	January 2016
Aaron Green	Council Member	January 2016
Kim Swank	Council Member	January 2018
Don Gibson	Council Member	January 2018
Toni Graham	Council Member	January 2018
Byron Harris	Administrator Interim City Clerk	January 2015 April 22 - July 8, 2014
Mary Smith	Clerk/Treasurer	Retired April 2014
Robert Norris	Attorney	Indefinite

**City of Shenandoah**





Diane McGrain, CPA  
Jim Menard, CPA

December 5, 2014

## Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Shenandoah, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued....

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Shenandoah as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

#### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

#### Other Matters

##### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Shenandoah's basic financial statements. We previously audited the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements, which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight years ended June 30, 2012 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 13 and 31 through 32 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Continued...

December 5, 2014  
City of Shenandoah  
Independent Auditors' Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014 on our consideration of the City of Shenandoah's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Shenandoah's internal control over financial reporting and compliance.

*Schroer & Associates, PC*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Shenandoah provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 10.3%, or approximately \$648,000, from fiscal year 2013 to fiscal year 2014. The decrease in governmental activities receipts is primarily due to a decrease in note proceeds of approximately \$225,000, and a decrease in capital grants of approximately \$441,000.
- Governmental activities disbursements decreased 17.4%, or approximately \$1,188,000, from fiscal year 2013 to fiscal year 2014. Capital projects function disbursements decreased approximately \$993,000.
- The City's total cash basis net position increased 6.5%, or approximately \$236,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$36,000, and the cash basis net position of the business type activities increased by approximately \$200,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.



## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system and wastewater treatment and sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from approximately \$3.03 million to approximately \$3.06 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 962	\$ 976
Operating grants, contributions and restricted interest	954	996
Capital grants, contributions and restricted interest	378	819
General receipts:		
Property and other city tax	2,555	2,404
Tax increment financing	282	271
Local option sales tax	481	559
Hotel/motel tax	44	53
Grants and contributions not restricted to specific purposes	9	5
Unrestricted interest on investments	1	1
Sale of capital assets	-	5
Note proceeds	-	225
Total receipts	<u>5,666</u>	<u>6,314</u>
Disbursements:		
Public safety	1,288	1,265
Public works	1,204	1,257
Health and social services	1	1
Culture and recreation	1,070	1,160
Community and economic development	381	382
General government	281	317
Debt service	999	1,037
Capital projects	421	1,414
Total disbursements	<u>5,645</u>	<u>6,833</u>
Change in cash basis net position before transfers	21	(519)
Transfers, net	<u>15</u>	<u>30</u>
Change in cash basis net position	36	(489)
Cash basis net position beginning of year	<u>3,026</u>	<u>3,515</u>
Cash basis net position end of year	<u>\$ 3,062</u>	<u>\$ 3,026</u>

Total business type activities cash balance increased from approximately \$620 thousand a year ago, to approximately \$820 thousand. The analysis that follows focuses on the changes in cash basis net position of business type activities.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 1,762	\$ 1,561
Sewer	735	612
Capital grants, contributions and restricted interest		
Water	2,000	-
Sewer	-	19
General receipts		
Unrestricted interest on investments	1	1
Note proceeds	3,485	170
Miscellaneous	-	23
Total receipts	7,983	2,386
Disbursements:		
Water	7,101	1,965
Sewer	667	681
Total disbursements	7,768	2,646
Change in cash basis net position before transfers	215	(260)
Transfers, net	(15)	(30)
Change in cash basis net position	200	(290)
Cash basis net position beginning of year	620	910
Cash basis net position end of year	\$ 820	\$ 620

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Shenandoah completed the year, its governmental funds reported a combined fund balance of \$3,062,115, an increase of \$35,772 from last year's total of \$3,026,343. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance was \$533,483 at the end of fiscal year 2014, and \$507,275 at the end of fiscal year 2013.
- The Special Revenue, Road Use Tax Fund cash balance at the end of fiscal year 2014 increased \$37,223 from the prior year end to \$225,245 due to unspent Road Use taxes.
- The Special Revenue, Employee Benefits Fund cash balance increased \$49,658 from the prior year to \$91,310. We received more funds that we spent.
- The Special Revenue, Local Option Sales Tax Fund receipts increased \$10,451 in fiscal year 2014 from \$8,463 in fiscal year 2013.

By a referendum, the local option sales tax is allocated into four categories: 60% for property tax relief, 20% for community betterment, 10% for community planning, and 10% for economic development. The following is a breakdown of fiscal year receipts:

Property tax relief	\$	288,666
Community betterment		96,222
Community planning		48,111
Economic development		48,111
		<hr/>
Total	\$	<u>481,110</u>

Most of the funds are transferred to supplement the General Fund. The portion for community planning is used to help finance the City's metal recycling program. The entire portion received for economic development goes to the Shenandoah Chamber and Industry Association. All monies transferred from the Special Revenue, Local Option Sales Tax Fund to other City funds are used for, or are a form of, property tax relief.

- The Special Revenue, Urban Renewal Tax Increment Fund was established in fiscal year 2003 for the construction of a new theater and was used in 2004 for Iowa Western Community College improvements. The cash balance decreased from \$127,169 at the end of fiscal year 2013 to \$111,715 at the end of fiscal year 2014 due to new TIF project expenses not certified yet to be received in fiscal year 2014, but will be certified to receive in fiscal year 2015.
- The Special Revenue, Library Foundation Fund is a component unit of the City. The cash balance decreased \$47,164 to a balance of \$392,658.
- The Debt Service Fund cash balance decreased \$129 from the prior year balance to \$(6,170).
- The Capital Projects Fund cash balance decreased \$27,923 from the prior year to \$64,358 due to costs of various projects.
- The Permanent, Snook Trust Fund accounts for a \$980,000 bequest received in 2009 to establish an endowment and an additional \$175,000 bequest received in 2010. The income on the Trust is to be distributed in equal shares to five charities as discussed in Note 1 to the financial statements.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$147,048 to \$725,315. The City is currently building a new water treatment plant and has raised rates to assist in funding the project. We received more funds than we have spent at this time.
- The Enterprise, Sewer Fund cash balance increased \$53,172 to \$94,726. Rates were increased in October 2013. We have received more funds than we have spent at this time.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment resulted in decreases in receipts of \$4,269,864 and disbursements of \$4,180,943.

The City's receipts were \$6,141,124 less than budgeted. This was primarily due to lower than expected receipts from intergovernmental sources.

With the budget amendment, total disbursements were \$2,804,470 less than the amended budget due to budgeting more for water project costs.



## DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$12,159,000 of notes and other long-term debt outstanding, compared to approximately \$9,728,000 last year. The chart below segregates the City's debt into its component parts.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
General obligation notes	\$ 4,600	5,495
Revenue notes	6,916	2,050
Urban renewal revenue notes	630	735
Special assessment bonds/notes	1	1
Capital lease purchase agreements	12	17
Interim water project notes	-	1,430
Total	\$ 12,159	9,728

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,600,000 and urban renewal revenue notes of \$630,000, a total of \$5,230,000, is significantly below the City's constitutional debt limit of approximately \$9,800,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Shenandoah's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

Others factors that were considered included raising water rates to fund the construction of a new water treatment plant, changes in tax rates which decreased revenue, and a bond issuance for an economic development project in downtown Shenandoah.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kirk Kemper, City Administrator, by mail at 500 W. Clarinda Avenue, Shenandoah, Iowa 51601-0388, or by phone at (712) 246-4411.

## **Basic Financial Statements**

Exhibit A

City of Shenandoah  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2014

					Net (Disbursement) Receipts and Changes in Cash Basis Net Position		

See notes to financial statements

City of Shenandoah  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2014

	General	Special Revenue					Debt Service	Capital Projects	Permanent		Total
		Road Use Tax	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment	Library Foundation			Snook Trust	Other Nonmajor Governmental Funds	
<b>Receipts:</b>											
Property tax	\$ 1,107,673	-	559,438	-	-	-	727,191	-	-	27,000	2,421,302
Tax increment financing	-	-	-	-	282,353	-	-	-	-	-	282,353
Other city tax	130,322	-	20,909	481,110	-	-	25,277	-	-	1,000	658,618
Licenses and permits	6,595	-	-	-	-	-	-	-	-	-	6,595
Use of money and property	11,979	-	-	-	-	-	-	-	-	-	-
Intergovernmental	51,992	514,247	-	229	409	3,298	430	30,849	4,163	4,049	55,406
Charges for service	927,355	-	-	-	-	-	-	326,587	-	-	892,826
Miscellaneous	120,394	367	64,465	17,041	-	-	-	-	-	-	927,355
Total receipts	2,356,310	514,614	644,812	498,390	282,762	27,470	752,898	378,317	4,163	170,628	421,246
						30,768				202,677	5,665,701
<b>Disbursements:</b>											
<b>Operating:</b>											
Public safety	896,396	-	348,930	-	-	-	-	-	1,722	41,436	1,288,484
Public works	639,078	462,914	102,324	-	-	-	-	-	-	-	1,204,316
Health and social services	-	-	-	-	-	-	-	-	861	-	861
Culture and recreation	812,007	-	141,552	-	-	77,932	-	-	1,722	36,932	1,070,145
Community and economic development	14,040	-	-	120,760	245,841	-	-	-	-	-	380,641
General government	272,859	-	2,348	-	-	-	-	-	-	5,415	280,622
Debt service	-	-	-	-	-	-	998,863	-	-	-	998,863
Capital projects	-	-	-	-	-	-	-	420,724	-	-	420,724
Total disbursements	2,634,380	462,914	595,154	120,760	245,841	77,932	998,863	420,724	4,305	83,783	5,644,656
Excess (deficiency) of receipts over (under) disbursements	(278,070)	51,700	49,658	377,620	36,921	(47,164)	(245,965)	(42,407)	(142)	118,894	21,045
<b>Other financing sources (uses):</b>											
Sale of capital assets	-	-	-	-	-	-	-	250	-	-	250
Note proceeds	-	-	-	-	-	-	-	-	-	-	-
Operating transfers in	314,403	-	-	-	-	-	245,836	39,804	-	-	600,043
Operating transfers out	(10,125)	(14,477)	-	(367,169)	(52,375)	-	-	(25,570)	-	(115,850)	(585,966)
Total other financing sources (uses)	304,278	(14,477)	-	(367,169)	(52,375)	-	245,836	14,484	-	(115,850)	14,727
Change in cash balances	26,208	37,223	49,658	10,451	(15,454)	(47,164)	(129)	(27,923)	(142)	3,044	35,772
Cash balances beginning of year	507,275	188,022	41,652	8,463	127,169	438,822	(6,041)	92,281	1,149,870	477,830	3,026,343
Cash balances end of year	\$ 533,483	225,245	91,310	18,914	111,715	392,658	(6,170)	64,358	1,149,728	480,874	3,062,115
<b>Cash Basis Fund Balances</b>											
Nonspendable:											
Permanent trusts	-	-	-	-	-	-	-	-	-	187,802	1,337,620
Revolving fund	\$ 38,979	-	-	-	-	-	-	-	-	-	38,979
Restricted for:											
Streets	-	225,245	-	-	-	-	-	-	-	-	225,245
Employee benefits	-	-	91,310	-	-	-	-	-	-	-	91,310
Local option purposes	-	-	-	18,914	-	-	-	-	-	-	18,914
Urban renewal purposes	-	-	-	-	111,715	-	-	-	-	-	111,715
Library foundation	-	-	-	-	-	392,658	-	-	-	-	392,658
Capital projects	-	-	-	-	-	-	-	64,358	-	-	64,358
Other purposes	1,567	-	-	-	-	-	-	-	-	292,982	294,549
Assigned for economic development	90,782	-	-	-	-	-	-	-	-	-	90,782
Unassigned	402,155	-	-	-	-	-	(6,170)	-	-	-	395,985
Total cash basis fund balances	\$ 533,483	225,245	91,310	18,914	111,715	392,658	(6,170)	64,358	1,149,728	480,874	3,062,115

See notes to financial statements

City of Shenandoah  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2014

	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 1,725,511	727,392	2,452,903
Miscellaneous	36,237	7,180	43,417
Total operating receipts	<u>1,761,748</u>	<u>734,572</u>	<u>2,496,320</u>
Operating disbursements:			
Business type activities	<u>1,194,156</u>	<u>457,373</u>	<u>1,651,529</u>
Excess of operating receipts over operating disbursements	567,592	277,199	844,791
Non-operating receipts (disbursements):			
Interest on investments	1,252	137	1,389
Project reimbursements	2,000,000	-	2,000,000
Debt service	(37,567)	(186,625)	(224,192)
Capital outlay	<u>(5,869,624)</u>	<u>(23,062)</u>	<u>(5,892,686)</u>
Total non-operating receipts (disbursements)	<u>(3,905,939)</u>	<u>(209,550)</u>	<u>(4,115,489)</u>
Excess (deficiency) of receipts over (under) disbursements	(3,338,347)	67,649	(3,270,698)
Other financing sources (uses):			
Note proceeds	3,485,395	-	3,485,395
Operating transfers out	<u>(14,477)</u>	<u>(14,477)</u>	<u>(14,477)</u>
Total other financing sources (uses)	<u>3,485,395</u>	<u>(14,477)</u>	<u>3,470,918</u>
Change in cash balances	147,048	53,172	200,220
Cash balances beginning of year	<u>578,267</u>	<u>41,554</u>	<u>619,821</u>
Cash balances end of year	<u>\$ 725,315</u>	<u>94,726</u>	<u>820,041</u>
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 474,819	19,443	494,262
Unrestricted	<u>250,496</u>	<u>75,283</u>	<u>325,779</u>
Total cash basis fund balances	<u>\$ 725,315</u>	<u>94,726</u>	<u>820,041</u>

See notes to financial statements

**City of Shenandoah**

City of Shenandoah  
Notes to Financial Statements  
June 30, 2014

**NOTE (1)    Summary of Significant Accounting Policies**

The City of Shenandoah is a political subdivision of the State of Iowa located in Page and Fremont Counties. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

**A.    Reporting Entity**

For financial reporting purposes, the City of Shenandoah has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Shenandoah (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial burdens to the City.

**Blended Component Unit**

The Shenandoah Public Library Foundation (Library Foundation) is legally separate from the City, but is so intertwined with the City it is, in substance, part of the City. The Library Foundation was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Library Foundation collects donations which are used to purchase items not included in the City's budget. The financial transactions have been reported as a Special Revenue Fund of the City.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Page County Assessor's Conference Board, Page County Emergency Management Commission, Page County Joint E911 Service Board and the Page County Landfill Association.



City of Shenandoah  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies – Continued**

**A. Reporting Entity - Continued**

Related Organizations

City Council Members are responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

**B. Basis of Presentation**

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.



City of Shenandoah  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for property tax and other receipts to be used for employee pensions and other benefits.

The Local Option Sales Tax Fund is used to account for local option sales tax received and its use for purposes designated on the ballot which authorized the tax.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Library Foundation Fund is used to account for donations received by the Shenandoah Public Library Foundation to be used for library purposes.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

**Permanent:**

The Snook Trust Fund is utilized to account for the funds received from a bequest. Net income from investments is to be divided in equal shares between the following five organizations: the Public Library of Shenandoah, the Shenandoah Fire Department for the purchase of needed equipment, the Shenandoah Rescue Unit for the purchase of needed equipment, the Park System of Shenandoah, and the Shenandoah Memorial Hospital with the direction that 70% is to be used for the purchase of equipment and 30% is to be used for Elm Heights Home for Senior Citizens.

City of Shenandoah  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Shenandoah maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

*Nonspendable* – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

*Restricted* – amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

City of Shenandoah  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies – Continued**

**D. Governmental Cash Basis Fund Balances (continued)**

*Assigned* – Amounts the City Council intends to use for specific purposes

*Unassigned* – All amounts not included in the preceding classifications

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function.

**F. Property Tax Calendar**

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2012, to compute the amounts which became liens on property on July 1, 2013. These taxes were due and payable in two installments on September 30, 2013 and March 31, 2014 at the Page and Fremont County Treasurer's Office. These taxes are recognized as income to the City when they are received from the counties.

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$168,203 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

**Interest rate risk**

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

City of Shenandoah  
Notes to Financial Statements  
June 30, 2014

**NOTE (3) Notes Payable**

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes		Urban Renewal Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 870,000	139,064	374,000	152,614	110,000	39,993	1,354,000	331,671
2016	890,000	113,953	731,000	136,814	120,000	33,392	1,741,000	284,159
2017	615,000	86,853	748,000	120,664	125,000	25,952	1,488,000	233,469
2018	570,000	71,010	764,000	104,154	135,000	18,015	1,469,000	193,179
2019	580,000	53,770	780,000	87,284	140,000	9,240	1,500,000	150,294
2020-2024	1,075,000	54,350	3,005,680	201,932	-	-	4,080,680	256,282
2025-2027	-	-	513,000	31,080	-	-	513,000	31,080
	<u>\$ 4,600,000</u>	<u>519,000</u>	<u>6,915,680</u>	<u>834,542</u>	<u>630,000</u>	<u>126,592</u>	<u>12,145,680</u>	<u>1,480,134</u>

The City has a general obligation debt limit of approximately \$9,800,000 which was not exceeded during the year ended June 30, 2014.

Sewer Revenue Capital Loan Notes – On July 10, 2007, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue notes of up to \$2,700,000 with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,700,000 of sewer revenue capital loan notes issued in July 2007. Proceeds from the notes provided financing for improvements to the municipal sewer utility. The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the notes are expected to require less than 100% of net receipts. The total principal and interest remaining to be paid on the notes is \$2,359,150. For the current year, principal and interest paid and total customer net receipts were \$181,500 and \$277,199, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) After all other accounts have sufficient balances, the net revenues available after making the required principal and interest payments should be credited to a sewer surplus account for operation of the utility.



City of Shenandoah  
Notes to Financial Statements  
June 30, 2014

**NOTE (3) Notes Payable - Continued**

- (d) Sewer user rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the average annual installments of principal and interest on the notes falling due in the same year.

The City has complied with the above provisions.

Water Revenue Capital Loan Notes

On September 20, 2013, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of water revenue notes of up to \$14,057,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the drinking water treatment facilities.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$14,057,000 of water revenue capital loan notes issued in September 2013. Proceeds from the notes provided financing for improvements to the municipal water utility. The notes are payable solely from water customer net receipts. Annual principal and interest payments on the notes are expected to require less than 100% of net receipts. As of June 30, 2014, the City has drawn down note proceeds totaling \$4,985,680. The proceeds were used to redeem the planning and design loans of \$1,430,000 in addition to paying construction costs to date.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Water user rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the average annual installments of principal and interest on the notes falling due in the same year.

Urban Renewal Revenue Notes

The urban renewal revenue notes were issued for the purpose of paying costs of an urban renewal project, consisting of demolition, renovation and equipment for the Community Theatre Project. The notes are payable solely from the income and proceeds of the urban renewal project in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal revenue notes shall be expended only for purposes consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. The resolutions providing for the issuance of the notes shall include the following provisions:

City of Shenandoah  
Notes to Financial Statements  
June 30, 2014

**NOTE (3) Notes Payable - Continued**

Urban Renewal Revenue Notes - Continued

- (a) A separate sinking account shall be established for the purpose of paying principal and interest coming due during the fiscal year. The City accounts for this activity within the Special Revenue, Urban Renewal Tax Increment Fund.
- (b) A separate reserve account shall be established to maintain a required debt service reserve. The City is to deposit note proceeds of \$148,500 into the reserve account. This account is restricted for the purpose of paying principal and interest when funds in the sinking account are inadequate. The City accounts for these proceeds within the Special Revenue, Urban Renewal Tax Increment Fund.

**NOTE (4) Lease Purchase Agreements**

Lease purchase agreements mature as follows:

<u>Year Ending June 30,</u>	<u>Tractor</u>	<u>Copier</u>
2015	\$ 2,372	\$ 2,835
2016	-	2,835
2017	-	2,835
2018	-	2,127
	\$ 2,372	\$ 10,632
Less imputed interest	2,320	587
Total	\$ 52	\$ 10,045

**NOTE (5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$164,021, \$158,983, and \$141,432, respectively, equal to the required contributions for each year.

City of Shenandoah  
Notes to Financial Statements  
June 30, 2014

**NOTE (6) Other Postemployment Benefits (OPEB)**

The City operates a single-employer health benefit plan which provides medical insurance benefits for employees, retirees and their spouses. There are 36 active members and 1 retired member in the plan. Participants must be age 65 or older at retirement.

The medical insurance coverage is provided through a fully-insured plan with Wellmark. The retiree pays the same premium for the coverage as active employees, which results in an implicit subsidy and an OPEB liability.

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members is \$456 for employee coverage, \$880 for employee/child coverage, \$934 for employee/spouse coverage, and \$1,414 for family coverage. For the year ended June 30, 2014, the City contributed \$406,934 and plan members eligible for benefits contributed \$934 to the plan.

**NOTE (7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, sick leave, and compensatory time earned. Employees separated from City employment are paid for unused vacation time and compensatory time earned. However, sick leave days are lost upon resignation, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 71,000
Compensatory time	10,000
Total	\$ 81,000

This liability has been computed based on rates of pay in effect at June 30, 2014.

**NOTE (8) Operating Leases Agreements**

The City leases various office equipment under operating lease arrangements. Rental expense for the year ended June 30, 2014 was \$1,998. The future minimum lease payments are as follows:

Year Ending June 30,	
2015	\$ 1,850
2016	1,850
2017	1,850
2018	1,850
2019	388
Total	\$ 8,788

City of Shenandoah  
Notes to Financial Statements  
June 30, 2014

**NOTE (9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 238,866
	Wilson Trust Library	30,000
	Wilson Trust City	45,537
		<u>314,403</u>
Debt Service	General	10,125
	Special Revenue:	
	Local Option Sales Tax	128,303
	Tax Increment Financing	52,375
	Wilson Trust City	29,463
	Capital Projects	25,570
		<u>245,836</u>
Capital Projects	General	10,850
	Special Revenue:	
	Road Use Tax	14,477
	Enterprise:	
	Sewer	14,477
		<u>39,804</u>
		<u>\$ 600,043</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**NOTE (10) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (11) Economic Development Revolving Loan Account**

Conditions of the loans are determined by the Loan Review Committee on a case by case basis, with final approval by the City Council. Current loans are for a period of five to fifteen years, bearing interest at rates ranging from 1% to 4%, and are to be repaid in either monthly or quarterly installments. During the year ended June 30, 2014, collections of \$8,838 of principal and \$1,464 of interest were received. The outstanding loan principal balance within the General Fund was \$38,979 at June 30, 2014.



City of Shenandoah  
Notes to Financial Statements  
June 30, 2014

**NOTE (12) Related Party Transactions**

Related party transactions between the City and employees totaled \$3,687 during the year ended June 30, 2014.

**NOTE (13) Deficit Balance**

The Debt Service Fund had a deficit balance of \$6,170 at June 30, 2014. The deficit will be eliminated with property tax receipts.

**NOTE (14) Construction Commitments**

The City had construction commitments at June 30, 2014 of \$8,720,702 for a water system improvement project and \$521,322 for an airport improvement project. Included in the commitment for the water system improvement project are retainages of \$283,912.

**NOTE (15) Pending Litigation**

The City is subject to pending litigation with no specific demand for damages for two separate incidents alleging injuries incurred while in police custody. The probability of loss, if any, is undeterminable.

**NOTE (16) Subsequent Events**

In August 2014, the City signed a contract for building demolition of \$99,000.

In August 2014, the City approved action on issuance of \$500,000 in tax increment financing notes, and in September 2014, the City approved action on issuance of \$630,000 in tax increment financing notes.

**NOTE (17) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

## Other Information

City of Shenandoah  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts							
Property tax	\$ 2,421,302	-	-	2,421,302	2,426,024	2,426,024	(4,722)
Tax increment financing	282,353	-	-	282,353	278,980	278,980	3,373
Other city tax	658,618	-	-	658,618	638,283	638,283	20,335
Licenses and permits	6,595	-	-	6,595	66,075	66,075	(59,480)
Use of money and property	55,406	1,389	3,298	53,497	65,800	65,800	(12,303)
Intergovernmental	892,826	2,000,000	-	2,892,826	13,300,378	8,891,989	(5,999,163)
Charges for service	927,355	2,452,903	-	3,380,258	3,199,640	3,267,040	113,218
Miscellaneous	421,246	43,417	27,470	437,193	568,450	639,575	(202,382)
Total receipts	5,665,701	4,497,709	30,768	10,132,642	20,543,630	16,273,766	(6,141,124)
Disbursements							
Public safety	1,288,484	-	-	1,288,484	1,323,185	1,349,455	60,971
Public works	1,204,316	-	-	1,204,316	1,368,569	1,388,069	183,753
Health and social services	861	-	-	861	2,000	2,000	1,139
Culture and recreation	1,070,145	-	77,932	992,213	1,068,537	1,093,232	101,019
Community and economic development	380,641	-	-	380,641	397,667	437,545	56,904
General government	280,622	-	-	280,622	334,283	349,283	68,661
Debt service	998,863	-	-	998,863	998,568	998,568	(295)
Capital projects	420,724	-	-	420,724	657,534	994,088	573,364
Business type activities	-	7,768,407	-	7,768,407	14,167,727	9,524,887	1,756,480
Total disbursements	5,644,656	7,768,407	77,932	13,335,131	20,318,070	16,137,127	2,801,996
Excess (deficiency) of receipts over (under) disbursements	21,045	(3,270,698)	(47,164)	(3,202,489)	225,560	136,639	(3,339,128)
Other financing sources, net	14,727	3,470,918	-	3,485,645	80,000	80,000	3,405,645
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	35,772	200,220	(47,164)	283,156	305,560	216,639	66,517
Balances beginning of year	3,026,343	619,821	439,822	3,206,342	3,821,851	3,206,342	-
Balances end of year	\$ 3,062,115	820,041	392,658	3,489,498	4,127,411	3,422,981	66,517

See accompanying independent auditors' report

City of Shenandoah  
Notes to Other Information – Budgetary Reporting  
June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$4,180,943. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the debt service function.

## **Supplementary Information**

City of Shenandoah  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2014

	Special Revenue											Permanent				
	Rapp Trust Library	Rapp Charity Trust	Gidley Park Trust	Reed Estate Trust	Wilson Trust Library	Wilson Trust City	Wilson Cemetery Trust	Angels Trust	Simons Trust	Friends of the Library	Volunteer Fire	Veteran Museum	Memorial Building	Cemetery Perpetual Care	Edsen Trust	Total
Receipts:																
Property tax	-	-	-	-	-	-	-	-	-	-	-	-	27,000	-	-	27,000
Other city tax	-	-	-	-	-	-	-	-	-	-	-	-	1,000	-	-	1,000
Use of money and property	-	311	10	-	69	30	5	5	102	-	17	-	3,458	2	45	4,049
Miscellaneous	-	-	17,108	-	38,456	87,167	-	-	-	-	25,574	-	-	2,323	-	170,628
Total receipts	-	311	17,118	-	38,525	87,197	5	5	102	-	25,591	-	31,458	2,325	45	202,677
Disbursements:																
Operating:																
Public safety	-	-	-	-	-	-	-	-	-	-	41,436	-	-	-	-	41,436
Culture and recreation	2,474	-	11,836	-	-	-	-	-	4,500	-	-	92	18,030	-	-	36,932
General government	-	5,415	-	-	-	-	-	-	-	-	-	-	-	-	-	5,415
Total disbursements	2,474	5,415	11,836	-	-	-	-	-	4,500	-	41,436	92	18,030	-	-	83,783
Excess (deficiency) of receipts over (under) disbursements	(2,474)	(5,104)	5,282	-	38,525	87,197	5	5	(4,398)	-	(15,845)	(92)	13,428	2,325	45	118,894
Other financing sources (uses):																
Operating transfers out	-	-	-	-	(30,000)	(75,000)	-	-	-	-	-	-	(10,850)	-	-	(115,850)
Change in cash balances	(2,474)	(5,104)	5,282	-	8,525	12,197	5	5	(4,398)	-	(15,845)	(92)	2,578	2,325	45	3,044
Cash balances beginning of year	11,686	5,104	30,928	11,689	98,187	11	3,346	72,875	20,664	978	48,764	1,640	7,100	164,858	20,664	477,830
Cash balances end of year	\$ 9,212	-	36,210	11,689	106,712	12,208	3,351	68,477	20,709	978	32,919	1,548	9,678	167,183	20,709	480,874
Cash Basis Fund Balances																
Nonspendable trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted for other purposes	9,212	-	36,210	11,689	106,712	12,208	3,351	68,477	20,709	978	32,919	1,548	9,678	167,183	20,709	187,892
Total cash basis fund balances	\$ 9,212	-	36,210	11,689	106,712	12,208	3,351	68,477	20,709	978	32,919	1,548	9,678	167,183	20,709	480,874

See accompanying independent auditors' report



Schedule 2

City of Shenandoah  
Schedule of Indebtedness  
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation notes									
General corporate purpose	Jul 1, 2000	5.95%	\$ 400,000	\$ 75,000	-	25,000	50,000	4,463	-
Essential corporate purpose	Jul 15, 2007	4.35-4.40%	915,000	670,000	-	160,000	510,000	29,195	-
Essential corporate purpose	Aug 27, 2009	3.00-4.10%	3,460,000	2,355,000	-	355,000	2,000,000	80,783	-
Essential corporate purpose	Oct 28, 2010	1.70-3.05%	1,650,000	1,360,000	-	160,000	1,200,000	31,813	-
Essential corporate purpose	Apr 12, 2012	0.80-2.20%	1,000,000	830,000	-	175,000	655,000	10,300	-
Essential corporate purpose	Oct 25, 2012	1.65-3.00%	225,000	205,000	-	20,000	185,000	5,070	-
			\$ 5,495,000			895,000	4,600,000	161,624	-
Revenue notes:									
Sewer	Jul 10, 2007	3.00%	\$ 2,700,000	\$ 2,050,000	-	120,000	1,930,000	61,500	-
Water	Sept 20, 2013	2.00%	14,057,000	-	4,985,680	-	4,985,680	37,567	-
			\$ 2,050,000		4,985,680	120,000	6,915,680	99,067	-
Urban Renewal									
Community theater	Mar 1, 2003	6.00-6.60%	\$ 1,485,000	\$ 735,000	-	105,000	630,000	46,135	-
Special assessment notes									
Street improvement	Dec 1, 1980	9.75%	\$ 43,000	\$ 1,000	-	-	1,000	-	195
Interim water project notes									
Water system improvements	Jan 17, 2008	-	\$ 45,000	\$ 45,000	-	45,000	-	-	-
Water system improvements	Dec 29, 2010	-	1,385,000	1,385,000	-	1,385,000	-	-	-
			\$ 1,430,000		-	1,430,000	-	-	-
Lease purchase agreements									
Tractor	May 1, 2011	5.25%	\$ 10,701	\$ 4,525	-	2,205	2,320	167	-
Copier	Mar 5, 2013	3.00%	13,150	12,538	-	2,493	10,045	342	-
			\$ 17,063		-	4,698	12,365	509	-

See accompanying independent auditors' report

City of Shenandoah  
Bond and Note Maturities  
June 30, 2014

General Obligation Notes

Year Ending June 30,	General Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose	
	Issued Jul 1, 2000	Interest	Issued Jul 15, 2007	Interest	Issued Aug 27, 2009	Interest	Issued Oct 28, 2010	Interest	Issued Apr 12, 2012	Interest	Issued Oct 25, 2012	Interest
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2015	5.95%	\$ 25,000	4.35%	\$ 250,000	3.00%	\$ 290,000	1.70%	\$ 160,000	0.80%	\$ 125,000	1.65%	\$ 20,000
2016	5.95%	25,000	4.40%	260,000	3.15%	295,000	2.00%	165,000	1.00%	125,000	1.65%	20,000
2017	-	-	-	-	3.35%	305,000	2.30%	165,000	1.20%	125,000	1.65%	20,000
2018	-	-	-	-	3.55%	320,000	2.50%	170,000	1.60%	55,000	3.00%	25,000
2019	-	-	-	-	3.75%	325,000	2.70%	175,000	1.60%	55,000	3.00%	25,000
2020	-	-	-	-	3.90%	345,000	2.90%	180,000	2.20%	55,000	3.00%	25,000
2021	-	-	-	-	4.10%	60,000	3.05%	185,000	2.20%	55,000	3.00%	25,000
2022	-	-	-	-	4.10%	60,000	-	-	2.20%	60,000	3.00%	25,000
		<u>\$ 50,000</u>		<u>\$ 510,000</u>		<u>\$ 2,000,000</u>		<u>\$ 1,200,000</u>		<u>\$ 655,000</u>		<u>\$ 185,000</u>
												<u>\$ 4,600,000</u>

Revenue Notes

Year Ending June 30,	Sewer		Water		Urban Renewal	
	Issued Jul 10, 2007	Interest	Issued Sept 20, 2013	Interest	Issued Mar 1, 2003	Interest
	Rates	Amount	Rates	Amount	Rates	Amount
2015	3.00%	\$ 124,000	2.00%	\$ 250,000	6.00%	\$ 110,000
2016	3.00%	127,000	2.00%	604,000	6.20%	120,000
2017	3.00%	131,000	2.00%	617,000	6.35%	125,000
2018	3.00%	135,000	2.00%	629,000	6.50%	135,000
2019	3.00%	139,000	2.00%	641,000	6.60%	140,000
2020	3.00%	143,000	2.00%	654,000	-	-
2021	3.00%	148,000	2.00%	667,000	-	-
2022	3.00%	152,000	2.00%	681,000	-	-
2023	3.00%	157,000	2.00%	242,680	-	-
2024	3.00%	161,000	-	-	-	-
2025	3.00%	166,000	-	-	-	-
2026	3.00%	171,000	-	-	-	-
2027	3.00%	176,000	-	-	-	-
		<u>\$ 1,930,000</u>		<u>\$ 4,985,680</u>		<u>\$ 630,000</u>

See accompanying independent auditors' report

City of Shenandoah  
Schedule of Receipts by Source and Disbursements By Function –  
All Governmental Funds  
For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Receipts:</b>										
Property tax	\$ 2,421,302	2,267,452	2,184,991	2,088,460	2,001,119	2,081,913	1,827,595	1,737,689	1,693,590	1,706,276
Tax increment financing collections	282,353	271,000	263,995	266,193	235,993	233,062	310,639	296,773	230,021	163,168
Other city tax	658,618	748,052	633,159	705,978	619,349	617,677	661,772	636,673	634,961	568,095
Licenses and permits	6,595	7,364	100,420	20,774	15,621	52,901	15,112	17,023	32,010	11,434
Use of money and property	55,406	61,324	107,926	129,384	110,732	84,675	163,952	127,611	122,296	101,079
Intergovernmental	892,826	1,276,224	1,518,009	1,525,245	811,721	1,142,938	1,030,719	503,308	585,786	1,104,118
Charges for service	927,355	804,247	790,502	719,461	728,724	748,737	626,313	557,200	538,671	514,281
Special assessments	-	-	68,413	71,663	74,750	77,675	80,438	77,837	80,088	82,187
Miscellaneous	421,246	648,067	559,258	629,841	754,172	1,603,580	1,456,303	1,145,048	450,013	353,661
<b>Total</b>	<b>\$ 5,665,701</b>	<b>6,083,730</b>	<b>6,226,673</b>	<b>6,156,999</b>	<b>5,352,181</b>	<b>6,643,158</b>	<b>6,172,843</b>	<b>5,099,162</b>	<b>4,367,436</b>	<b>4,604,299</b>
<b>Disbursements:</b>										
<b>Operating:</b>										
Public safety	\$ 1,288,484	1,265,822	1,434,911	1,193,934	1,084,848	1,131,516	1,043,289	927,647	1,000,813	871,126
Public works	1,204,316	1,256,709	1,259,864	1,343,202	1,234,191	1,207,154	1,051,117	1,069,262	989,441	921,685
Health and social services	861	1,146	1,396	4,844	119	100	647	6,789	3,303	21,004
Culture and recreation	1,070,145	1,160,098	947,213	1,083,166	1,027,767	982,908	1,009,515	912,149	845,644	834,049
Community and economic development	380,641	382,075	694,860	380,355	113,578	215,171	232,403	133,723	191,545	496,577
General government	280,622	317,453	341,893	305,423	284,343	356,454	301,128	240,817	273,752	232,789
Debt service	998,863	1,036,792	1,391,691	871,451	1,077,300	998,027	1,074,654	1,035,985	1,013,990	934,264
Capital projects	420,724	1,413,500	2,532,991	1,888,876	2,472,320	1,475,101	3,686,201	980,436	81,216	1,158,590
<b>Total</b>	<b>\$ 5,644,656</b>	<b>6,833,595</b>	<b>8,604,819</b>	<b>7,071,251</b>	<b>7,294,466</b>	<b>6,366,431</b>	<b>8,398,954</b>	<b>5,306,808</b>	<b>4,399,704</b>	<b>5,470,084</b>

See accompanying independent auditors' report

City of Shenandoah  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Grants	20.106	AIP-3-19-0082-10	\$ 21,280
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	11-HSG-049	221,971
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Surface Transportation Program Project	20.205	STP-059-1(30)--2C-73	60,000
Iowa Department of Public Safety			
State and Community Highway Safety Grant	20.600	PAP 14-402-M00P	1,814
Environmental Protection Agency:			
Iowa State Revolving Fund:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468		<u>2,740,357</u>
Total			<u>\$ 3,045,422</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Shenandoah. The City of Shenandoah's financial statements are presented on the basis of cash receipts and disbursements which is a basis of accounting other than U.S. generally accepted accounting principles. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditors' report

**City of Shenandoah**



Diane McGrain, CPA  
Jim Menard, CPA

December 5, 2014

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Shenandoah, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Shenandoah's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Shenandoah's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Shenandoah's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Shenandoah's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-14 to be a material weakness.

Continued...



City of Shenandoah  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Shenandoah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Shenandoah's Responses to Findings

City of Shenandoah's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Shenandoah's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Shenandoah during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Shraev & Associates, PC*

**Independent Auditors' Report on Compliance  
for Its Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133**



Diane McGrain, CPA  
Jim Menard, CPA

December 5, 2014

Independent Auditors' Report on Compliance  
for Its Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Its Major Federal Program

We have audited City of Shenandoah's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City of Shenandoah's major federal program for the year ended June 30, 2014. City of Shenandoah's major federal program is identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for City of Shenandoah's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Shenandoah's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City of Shenandoah's compliance.

Continued...

City of Shenandoah  
Independent Auditors' Report on Compliance  
for Its Major Federal Program

Opinion on Its Major Federal Program

In our opinion, City of Shenandoah complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of City of Shenandoah is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Shenandoah's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Shenandoah's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Schroer & Associates, PC*

City of Shenandoah  
Schedule of Findings  
June 30, 2014

**Part I: Summary of the Independent Auditors' Results:**

- a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses or significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) The major program was CFDA Number 66.468 – Capitalization Grants for Drinking Water State Revolving Funds.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) City of Shenandoah did not qualify as a low-risk auditee.

City of Shenandoah  
Schedule of Findings  
June 30, 2014

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14      Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the separately maintained records of the Library Foundation, the cash receipts listing, bank deposits, the posting of cash receipts to the cash receipts journal, disbursements preparation and check signing are all performed by the same person. Also, the bank account is not reconciled by a person who does not sign checks and no evidence of review of the bank reconciliation is noted.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Library Foundation should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff. Independent reviews of reconciliations prepared should be performed and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – The Library Board chairperson will do an annual review and initial. The Librarian and City Clerk will initial the monthly bank statement reconciliation after review.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Shenandoah  
Schedule of Findings  
June 30, 2014

**Part III: Findings for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were reported.

City of Shenandoah  
Schedule of Findings  
June 30, 2014

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-14      Certified Budget

Comment – Disbursements during the year ended June 30, 2014, exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

IV-B-14      Questionable Disbursements

We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-14      Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-14      Business Transactions –

Comment – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Darrel Saner, Employee, Owner of Shenweld	Repairs	\$ 205
Tim Barr, Employee, Owner of Tim Barr Janitorial Services	Cleaning	<u>3,482</u>
		\$ <u>3,687</u>

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with one employee appears to represent a conflict of interest since the transactions with the individual exceeded \$1,500 during the fiscal year.

Recommendation – The City should seek legal advice on this matter.

Response – We will do this.

Conclusion – Response accepted.

City of Shenandoah  
Schedule of Findings  
June 30, 2014

**Part IV: Other Findings Related to Statutory Reporting - Continued:**

IV-E-14      Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-14      Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-14      Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-H-14      Revenue Notes

No instances of noncompliance with the revenue note resolutions were noted.

IV-I-14      Financial Condition

Comment – The Debt Service Fund had a deficit balance of \$6,170 at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate the deficit balance in order to return this fund to a sound financial position.

Response – The deficit was due to payment on new debt issued during the year and will be eliminated with property tax receipts.

Conclusion – Response accepted.

IV-J-14      Annual Urban Renewal Report

The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

City of Shenandoah  
Schedule of Findings  
June 30, 2014

**Part IV: Other Findings Related to Statutory Reporting - Continued:**

IV-K-14      Insurance – The following insurance policies were in force at June 30, 2014

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty Company	Property coverage: Buildings	\$ 29,940,918	July 1, 2014
Employers Mutual Casualty Company	Comprehensive general liability: Each occurrence Aggregate	1,000,000 2,000,000	July 1, 2014
Employers Mutual Casualty Company	Inland marine	1,187,117	July 1, 2014
Employers Mutual Casualty Company	Automobile coverage: Liability Uninsured motorists	1,000,000 40,000	July 1, 2014
Employers Mutual Casualty Company	Linebacker: Each loss Aggregate	1,000,000 1,000,000	July 1, 2014
Employers Mutual Casualty Company	Workers' compensation	500,000	July 1, 2014
Employers Mutual Casualty Company	Commercial umbrella: Retained Each occurrence Aggregate	10,000 5,000,000 5,000,000	July 1, 2014
Employers Mutual Casualty Company	Employee dishonesty: Blanket bond Alteration	100,000 10,000	July 1, 2014
Employers Mutual Casualty Company	Commercial crime: Inside premises Outside premises	10,000 10,000	July 1, 2014
Employers Mutual Casualty Company	Law enforcement liability: Each occurrence Aggregate	1,000,000 1,000,000	July 1, 2014
Petroleum Marketers Management Insurance Company	Airport liability: Each occurrence Aggregate	1,000,000 1,000,000	May 21, 2015